

Electrification: A Powerful Driver of Sustainable Investment

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Since the start of the year, certain sustainable investment themes have produced a surprisingly strong performance once again. According to Dr. Gerhard Wagner from Zürcher Kantonalbank's Asset Management, a particularly promising driver is responsible for this.

As early as the second half of 2025, a notable trend emerged in the stock market: sustainable investments were staging a comeback. This momentum has persisted since the beginning of the year. In particular, stocks benefiting from the energy transition through electrification have often significantly outperformed the market.

This should pique the interest of investors who are interested in sustainability: In our view, the energy transition is a key driver of the sustainable investment theme of climate protection. Companies contributing to this transition could therefore experience above-average levels of growth.

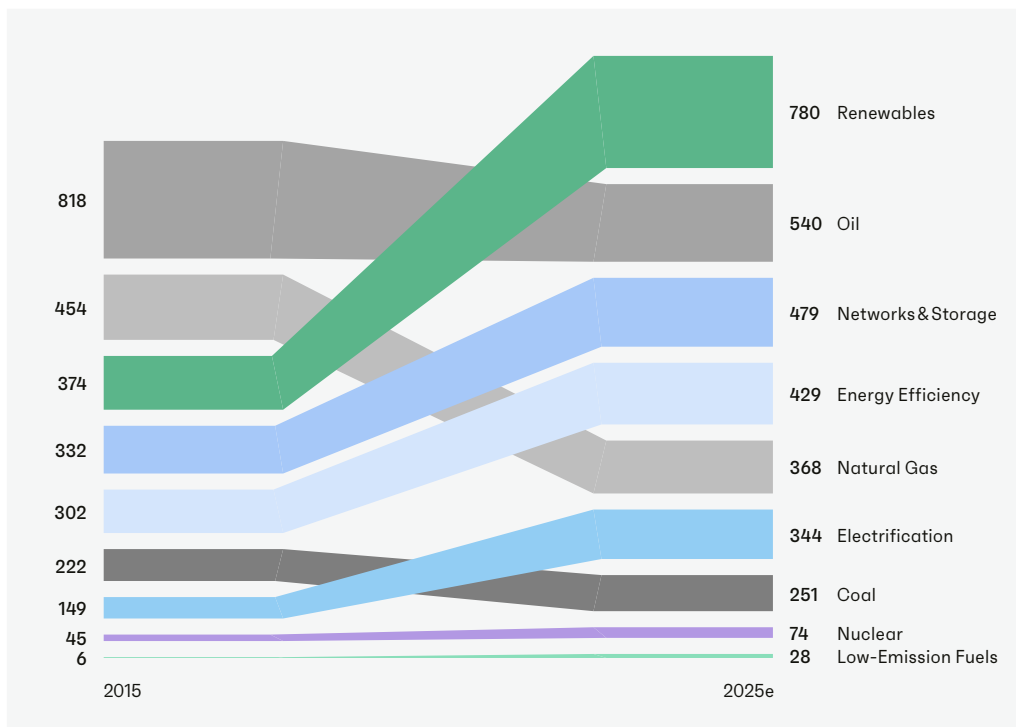
Transition from fossil fuels to renewable energy

Looking back, it is clear that these upheavals are in full swing. As estimated by the International Energy Agency (IEA) in 2025, investment in renewable energy has more than doubled since 2015 to approximately USD 780 billion. Over the same period, investment in fossil fuels has fallen by around a fifth to an estimated USD 1.1 trillion (see chart).

Simultaneously, electricity demand is rising rapidly due to the trend towards electrification. According to the IEA, demand is likely to double or even triple by 2050. From a sustainable investment perspective, this is interesting for several reasons. Firstly, electrification can promote decarbonisation. Furthermore, and particularly important given global disruptions, it promises to reduce dependency on fossil fuels and thereby ensure energy supply security.

Overall, investors should remain selective. In our opinion, it is important to select high-quality companies with above-average growth potential, offering returns on capital that exceed the cost of capital.

Impact of the energy transition on investment flows (Trends in global energy investment, in billions of USD)
Source: IEA, «World Energy Investments», 2025



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